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Government and Public Affairs

July 11, 1996

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, D.C. 20554

Dear Mr. Caton,

Enclosed please find an original and nine (9) copies of the Reply Comments of Matsushita Electric Corporation of America on the Commission's Fifth Further Notice of Proposed Rule Making in MM Docket No. 87-268

Submitted by,

Paul Schomburg
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July 11, 1996

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20054

In the Matter of	)	
	)	
Advanced Television Systems and	)	MM Docket No. 87-268
Their Impact Upon the Existing	)	
Television Broadcast Service	)	

REPLY COMMENTS OF MATSUSHITA ELECTRIC CORPORATION OF AMERICA

Matsushita Electric Corporation of America (MECA) hereby replies to comments on the Commission's Fifth Notice of Proposed Rule Making (Fifth Notice) in the above-captioned proceeding.

I. INTRODUCTION

MECA is the principal U.S. subsidiary of Matsushita Electric Industrial Co., Ltd. of Japan. Along with its subsidiaries and affiliates, MECA manufactures and markets sophisticated electronics products under the Panasonic, Technics and Quasar brands. The company employs some 11,000 Americans – 55 percent of them in manufacturing – in 26 states. The company has seven U.S. R&D labs and 15 U.S. factories, with two additional factories under construction and two more in the planning stage, and is committed to bringing even more manufacturing and R&D labs to the United States and expanding its activities in the local communities where the company operates. Matsushita has a

cumulative investment in North America of over $1.7 billion. MECA pays $220 million annually in North American taxes and tariffs, and accounts for annual exports of nearly $400 million.

MECA submitted comments on the Fifth Notice in which we urged the Commission to adopt the complete ATSC ATV transmission standard. In these reply comments MECA supports the comments of Advanced Television Systems Committee (ATSC), Broadcasters, Electronic Industries Association ATV Committee (EIA), and Circuit City Stores, Inc. (Circuit City); responds to comments of Broadcasters, Computer Industry Coalition on Advanced Television Service (CICATS) and National Cable Television Association (NCTA); and offers suggestions for a process to reach industry consensus.

II. MECA'S BROAD PARTICIPATION IN ELECTRONICS MANUFACTURING BRIDGES THE INTERESTS OF BOTH BROADCASTING AND COMPUTING.

MECA has the broad perspective of experience in professional television equipment, consumer electronics and computer products that bridge the range of concerns of broadcasters as well as CICATS and its supporters. MECA produces cameras and VTRs for the professional broadcast equipment market as well as televisions, VCRs, camcorders and related consumer electronic products. MECA also produces optical disk drives and CD-ROM drives for the computer market.

MECA urges the Commission to make consumer benefits the primary criteria for its decisions in this proceeding. Competitive retail markets are essential to fair market

access and beneficial to the consumer, and "Section 304 of the Telecommunications Act of 1996 requires the Commission to make devices used to access any service of multichannel video program distributors subject to competitive, unbundled manufacture and sale" (Comments of Circuit City Stores, Inc., page 4)

III. NCTA'S REVERSAL OF THEIR SUPPORT FOR AND PARTICIPATION IN THE DEVELOPMENT AND TESTING OF A BROADCAST DTV STANDARD SINCE THE INCEPTION OF THAT EFFORT IS ANTI-COMPETITIVE AND ANTI-CONSUMER.

In the absence of a mandated broadcast digital television standard consumers could be faced with chaos. Cable system operators and programmers would adopt a hodgepodge of incompatible or de facto proprietary digital television standards that add very significant additional costs for consumers, stifle competition and maintain high consumer prices. MECA firmly supports the comments of Broadcasters (pages 27-29) and Circuit City (page 3) on the benefits of intermedia compatibility. A consistent national standard for broadcast video is key to service provider competition and thus value to the consumer. MECA concurs in the following comment by Circuit City:

> "Circuit City urges the Commission to conclude that national and competitive markets for reception of DTV and digital cable signals cannot be assured unless transmission standards are set; and, if transmission and security interface standards are set, consumers can and should be able to use essentially the same devices for reception of these different digital media transmissions." (Comments of Circuit City Stores, Inc., page 3)

Competitive availability, as required by the Telecommunications Act of 1996, should be the key criteria used by the FCC to determine the appropriate policy. The

FCC should ask itself in this and all of its proceedings whether the proposed action will improve or detract from making retail competition a reality

The first and most important step the FCC can make towards ensuring competitive availability is to immediately adopt the ATSC Standard for broadcast use before entrenched investments in other technologies preclude its consideration. MECA believes that, if a standard is expeditiously adopted, market forces will drive non-broadcast industries including cable, MMDS and DBS, to support the ATSC Standard. The adoption of a broadcast standard is the pivot which the FCC can use to move the rest of the communications world towards increased competition, ultimately benefiting the consumer.

IV. THE ATSC ATV SYSTEM RECOMMENDED BY ACATS IS WORLD LEADING TECHNOLOGY.

MECA believes that the ATSC DTV Standard is the best possible standard to adopt and is more than fully adequate. Adoption of the ATSC DTV Standard by the Commission will provide the clear and certain ground rules for broadcasters, manufacturers and consumers that are necessary to unleash the investment required to bring the benefits of this new technology to the American people. MECA believes that the ATSC DTV Standard is the world's best digital broadcast television system, with unmatched flexibility and unprecedented ability to incorporate future improvements. The all-digital nature of the ATSC DTV Standard and its utilization of a packetized data transport structure, together with its emphasis on progressive scan transmission formats and square pixels, give the system unmatched compatibility and interoperability with

computer and telecommunications applications, guaranteeing its suitability for a wide range of applications that go far beyond improvements in entertainment and news television service.

Not only is the development of the Grand Alliance HDTV system, and the ATSC DTV Standard based upon it, a towering technological achievement, but the Commission's Advisory Committee process that produced these results represents an unsurpassed example of effective cooperation between government and industry. Through its Advisory Committee, the Commission relied on private investment in an open process, to evaluate 23 original proposals, with a final cooperative phase to combine the best attributes of four "finalist" all-digital systems into the digital HDTV Grand Alliance system. The result is the most thoroughly examined, most flexible, most advanced video transmission system ever developed and it should be adopted by the Commission.

V. THE CICATS PROPOSAL, WHILE UNPROVEN AND UNTESTED, DEMONSTRATES THE IMPORTANCE OF PROVIDING A RANGE OF COST-BENEFIT MIXES TO CONSUMERS.

MECA sympathizes with the concerns of CICATS and supports their desire for an all progressive ATV system. However, migration toward an all progressive system is the best solution and the ATSC DTV Standard recommended by the Advisory Committee on Advanced Television Service (ACATS) provides a path for such migration.

The ATSC DTV Standard is the result of nearly a decade of methodical and highly successful system development and testing. A critical aspect of the thorough

evaluation and testing process that resulted in the Grand Alliance system, subsequently adopted as the ATSC DTV Standard, was peer review of all of the original 23 proposals. This proved to be the first hurdle that eliminated many weaker proponents. Now the Commission has before it a new proposal from CICATS that has not withstood even peer review, the first step in the ACATS evaluation and testing process, much less testing of actual hardware. The Commission should not give consideration to any proposal that has not withstood thorough and objective testing.

The open ACATS process provided ample opportunities for input by any interested party. In fact, the Grand Alliance system was strengthened by the contributions of members of the computer industry through the Planning Subcommittee Working Party 4 on Alternative Media. These contributions resulted in the inclusion of progressive scan formats and many other computer-friendly characteristics in the ATSC standard.

The specifications of the CICATS proposal are incomplete when compared to the formal and thorough system specifications of the ATSC DTV Standard. Since the CICATS proposal is incompletely specified and untested, any cost analysis comparison between the CICATS proposal and fully tested ATSC DTV Standard must be regarded cautiously. The basic assumption of the CICATS cost analysis, and its conclusion that the CICATS base line system would provide dramatic cost savings over the ATSC DTV Standard, is that the

> "complexity of the HDTV formats requires additional -- and expensive -- memory and processing power in receiving equipment that is not needed to receive SDTV digital broadcasts. (Comments of CICATS, Volume 1 of 2, page iii)

CICATS' belief that ATSC DTV Standard receivers will "go black" on HDTV transmissions unless they are equipped with "expensive HDTV decoding capability" (Comments of CICATS. Volume 1 of 2, page iv) is unproven and ignores technology demonstrated at the Commission's own en banc Hearing on Digital Television. MECA firmly believes that technology similar to that demonstrated at the Commission's en banc hearing will enable the inexpensive conversion of HDTV transmissions to lower resolution SDTV formats, and that such technology will become widely available from several manufacturers with improved price-performance characteristics. Thus, most of the consumer concerns raised by CICATS comments can be overcome through forthcoming technological advances.

The intense competition that will drive these advances will only bear fruit where manufacturers are free to develop innovative products that meet a variety of consumer price-benefit characteristics, a process familiar to participants in computer industry competition. Although CICATS conclusions are flawed, CICATS concerns demonstrate that allowing manufacturers flexibility to develop innovative product designs will be vital to providing a range of cost-benefit mixes to consumers. Thus, the additional costs that mandatory receiver standards would impose on consumers should be avoided.

VI. RECEIVER STANDARDS ARE UNNECESSARY.

In Comments on the Fifth Notice, Broadcasters argue that receivers should be required to have the capability of decoding all digital video signals. MECA shares the

objectives of the Broadcasters that receivers should "live up to the Grand Alliance prototype system's performance levels" (Comments of Broadcasters, page 32). However, MECA believes that such a requirement has not been sufficiently demonstrated and that, based on long and successful experience, strong market forces provided by a competitive market will make such a requirement unnecessary and counter-productive.. As MECA stated in Comments on the Fifth Notice, the current free market situation, with its extreme competitive environment that for years has produced the most efficient, lowest cost, highest performing, longest lasting video products in the world. This clearly indicates that market forces are working well and there is no need for mandated performance standards. MECA concurs with EIA and the ATV Committee:

> "If the consumer electronics industry's past experience with new technologies is any indication, consumers will demand, and manufacturers will produce, a variety of DTV products, ranging from the most robust and expensive to inexpensive limited-function devices. This is entirely appropriate in a competitive market. Consumers should be free to choose the combination of features and formats that best meet their needs. In this regard, one of the principal advantages of the Standard is that it decouples the transmission format from the display format. The Commission's rules should not recouple them. Consumer choice, not government regulation, should dictate the mix of equipment features and functions available to the public." (Comments of the Electronic Industries Association and the EIA Advanced Television Committee, page 20)

As noted above, value for the consumer will be found in a variety of price-performance points that will require flexibility in product design. Under mandatory receiver standards, flexibility of design would be impaired, and additional, unproductive paperwork costs to ensure compliance would be passed on to consumers. The FCC should not adopt mandatory receiver standards absent demonstrated proof of their necessity when such likely negative impacts exist

VII. THE COMMISSION HAS A VITAL AND CONTINUING ROLE TO PLAY IN BUILDING ON INDUSTRY CONSENSUS FOR DIGITAL TELEVISION IMPLEMENTATION.

The FCC will continue to play a key role in maintaining and improving industry consensus and the success of ATV. Since ATV is beginning to affect many new industries, the FCC should play an ongoing role to ensure that the concerns of these industries are met. MECA agrees with Assistant Secretary of Commerce for Communications and Information Larry Irving who wrote to Chairman Hundt:

> "Digital television promises American consumers a greatly improved and very flexible television service, one that will include the ability to receive a range of new and exciting services. Digital television also promises myriad benefits for the U.S. economy. These benefits will accrue, however, only if the Commission acts rapidly to adopt a digital television transmission standard so that the transition to digital television can begin promptly." (Letter to The Honorable Reed E. Hundt, July 11, 1996)

The computer industry has legitimate concerns that should be addressed, but those concerns must be viewed in the broader international context. Not adopting a standard for the U.S. could provide an advantage to a vastly inferior European DVB standard in international markets such as South America. Assistant Secretary Irving expressed this concern in his July 11 letter when he wrote

> "Failure to adopt a U.S. standard may mean that competing systems – such as the Digital Video Broadcasting (DVB) system, developed by a consortium of European broadcasters, electronics companies, and telecommunications organizations – will win the race for worldwide acceptance."

The computer industry's legitimate concerns should be addressed without further delaying the implementation of digital television in the United States or limiting the flexibility that will be essential for broadcasters as they carry out that implementation.

MECA agrees with Assistant Secretary Irving who in his July 11 letter urged the Commission to revisit issues raised by the computer industry at a later date "so as not to delay the prompt adoption of a digital television transmission standard."

MECA suggests that the Commission move forward as follows:

- Adopt, without delay, the full ATSC DTV Standard for broadcast television;
- Encourage a rapid transition to an all-progressive system via an open, industry-driven process;
- Empower an industry coordinating committee to establish targets for a full transition to an all progressive system and the eventual phase-out of interlace transmissions; however, establishing a date certain, at this time, is not warranted.

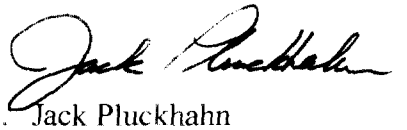
Companies and industry associations with a serious interest in this process should join together and work constructively toward this goal Intel recently demonstrated such constructive spirit when that company joined ATSC and agreed to chair the Data Broadcasting Committee

VIII. CONCLUSION:

Time is of the essence. To miss this opportunity to adopt the ATSC DTV Standard could result in the adoption of an inferior European system that would provide a lower quality service to American viewers.

The ATSC DTV Standard is complete, tested, and has been recommended by ACATS, the nearly decade-old FCC-appointed inter-industry committee that has done a remarkable job of guiding the development of a world-leading digital television transmission system. The FCC should proceed with all speed to adopt the ATSC DTV Standard in full.

Respectfully submitted,



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